

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

**WITH
INDEPENDENT AUDITORS' REPORT**

SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN

INDEPENDENT AUDITORS' REPORT

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**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended March 31, 2008

As management of Saline Township, Washtenaw County, Michigan, we offer readers of Saline Township, Washtenaw County, Michigan's financial statements this narrative overview and analysis of the financial activities of Saline Township, Washtenaw County, Michigan for the fiscal year ended March 31, 2008. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of Saline Township, Washtenaw County, Michigan exceeded its liabilities at the close of the most recent fiscal year \$484,735 (*net assets*). Of this amount, \$348,136 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased \$63,643.
- As of the close of the current year, Saline Township, Washtenaw County, Michigan's governmental fund reported an ending fund balance of \$352,904, an increase of \$77,260 in comparison with the prior year.
- At the end of the current year, unreserved fund balance for the General Fund was \$342,507 or 101.37 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Saline Township, Washtenaw County, Michigan's basic financial statements. Saline Township, Washtenaw County, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Saline Township, Washtenaw County, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Saline Township, Washtenaw County, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Saline Township, Washtenaw County, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements can be found on pages 2 – 3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Saline Township, Washtenaw County, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Saline Township, Washtenaw County, Michigan can be divided into two categories: governmental and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Saline Township, Washtenaw County, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the major governmental fund to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 4 – 5 of this report.

The basic fund financial statements with budget can be found on page 6 of this report.

Fiduciary Fund. The Fiduciary Fund is used to account for resources held under tax collection activity. The Fiduciary fund is *not* reflected in the government-wide financial statement. The accounting used for the Fiduciary Fund is much like that used for Proprietary Funds.

The basic fiduciary fund financial statement can be found on page 7 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 8 – 14 of this report.

Other information. A Fiduciary Fund Schedule can be found on page 15 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Saline Township, Washtenaw County, Michigan, assets exceeded liabilities by \$484,735 at the close of the most recent fiscal year.

A large portion of Saline Township, Washtenaw County, Michigan's net assets (26 percent) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding.

Saline Township, Washtenaw County, Michigan's Net Assets

	Governmental Activities
Current and other assets	\$ 359,993
Capital assets	<u>126,202</u>
Total assets	<u>\$ 486,195</u>
Other liabilities	<u>\$ 1,460</u>
Total liabilities	<u>\$ 1,460</u>
Net assets:	
Invested in capital assets, net of related debt	\$ 126,202
Restricted for:	
Development Plan	10,397
Unrestricted	<u>348,136</u>
Total net assets	<u>\$ 484,735</u>

The balance of *unrestricted net assets* (\$348,136) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Saline Township, Washtenaw County, Michigan is able to report a positive balance in net assets for the government as a whole. The same situation held true for the prior fiscal year.

A summary of Saline Township's change in net assets is as follows:

Summary of Saline Township, Washtenaw County, Michigan's Change in Net Assets

	<u>Governmental Activities</u>
Program revenues:	
Permit fees	\$ 15,752
Fire	1,723
Hall rental	275
Administrative tax collection fee	<u>28,485</u>
Total program revenues	46,235
General revenues:	
Property taxes	244,832
State revenues	89,579
Investment earnings	23,947
Other	<u>14,163</u>
Total general revenues	<u>372,521</u>
Total revenues	<u>\$ 418,756</u>
Program expenses:	
Governmental activities:	
General government	209,700
Public safety	110,937
Highways and streets	22,534
Sanitation	<u>11,942</u>
Total expenses	<u>\$ 355,113</u>
Change in net assets	63,643
Net assets-beginning of year	<u>421,092</u>
Net assets-end of year	<u>\$ 484,735</u>

Financial Analysis of the Government's Funds

As noted earlier, Saline Township, Washtenaw County, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Saline Township, Washtenaw County, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Saline Township, Washtenaw County, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, Saline Township, Washtenaw County, Michigan's governmental fund (General Fund) reported an ending fund balance of \$352,904, an increase of \$77,260 in comparison with the prior year.

General Fund Budgetary Highlights

There were no significant differences between original and final budget amounts. The difference between final budget and actual sanitation expenditures was due to the fall clean-up day cancellation. Total expenditures were lower than expected.

Capital Assets

Capital assets. Saline Township, Washtenaw County, Michigan's investment in capital assets for its governmental activities as of March 31, 2008, amounts to \$126,202 net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture and equipment, and fire vehicles and equipment. The total decrease in Saline Township, Washtenaw County, Michigan's investment in capital assets for the current fiscal year was \$(19,246) which represents depreciation.

Saline Township, Washtenaw County, Michigan's Capital Assets

	Governmental Activities
Land	\$ 1,000
Buildings	300,294
Furniture and equipment	29,287
Fire vehicles and equipment	<u>130,173</u>
Total	<u>\$ 460,754</u>

Additional information on Saline Township's capital assets can be found in Note 4 on page 13.

Economic Factors and Next Year's Budgets and Rates

Saline Township expects total revenues and total expenditures to be lower due to the expiration of the development plan millage and the settlement of litigation with a developer. There will be a proposal on the ballot for a road improvement millage to replace the development plan millage over a period of five years (2008-2012).

Requests for Information

This financial report is designed to provide a general overview of Saline Township, Washtenaw County, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Saline Township, 5731 Braun Road, Saline, Michigan 48176.

July 25, 2008

INDEPENDENT AUDITORS' REPORT

Saline Township
Washtenaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Saline Township, Washtenaw County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Saline Township, Washtenaw County, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Saline Township, Washtenaw County, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages i through vi is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Saline Township, Washtenaw County, Michigan's basic financial statements. The schedule of changes in assets and liabilities for the tax collection fund has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Robertson, Eaton & Owen, P.C.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

March 31, 2008

		<u>Primary Government</u>
	<u>Assets</u>	<u>Governmental Activities</u>
Current assets:		
Cash and cash equivalents		\$ 290,947
Accounts receivable		5,629
Taxes receivable		9,086
Due from tax collection		35,642
Due from other government		<u>18,689</u>
Total current assets		<u>359,993</u>
Capital assets:		
Land		1,000
Buildings and improvements		300,294
Furniture and equipment		29,287
Fire vehicles and equipment		130,173
Accumulated depreciation		<u>(334,552)</u>
Total capital assets		<u>126,202</u>
Total assets		\$ 486,195
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable		\$ 1,011
Escrow deposits payable		<u>449</u>
Total liabilities		\$ 1,460
Net assets:		
Invested in capital assets, net of related debt		\$ 126,202
Restricted for:		
Development Plan		10,397
Unrestricted		<u>348,136</u>
Total net assets		\$ 484,735

The notes to the financial statements are an integral part of this statement.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Services</u>	<u>Net (Expense Revenue and Changes in Net Assets)</u> <u>Governmental Activities</u>
Governmental activities:			
Primary Government:			
Governmental activities:			
General government	\$ 209,700	\$ 44,512	\$ (165,188)
Public safety	110,937	1,723	(109,214)
Highways and streets	22,534		(22,534)
Sanitation	<u>11,942</u>	<u> </u>	<u>(11,942)</u>
 Total governmental activities	 <u>\$ 355,113</u>	 <u>\$ 46,235</u>	 <u>\$ (308,878)</u>
 General Revenues:			
Property taxes general			76,828
Property taxes fire			84,002
Property taxes development plan			84,002
State shared revenue			89,579
Investment earnings			23,947
Other			<u>14,163</u>
 Total general revenues			<u>372,521</u>
 Change in net assets			63,643
 Net assets – beginning of year			<u>421,092</u>
 Net assets – end of year			<u>\$ 484,735</u>

The notes to the financial statements are an integral part of this statement.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

**BALANCE SHEET
GOVERNMENTAL FUND**

March 31, 2008

	Governmental Fund Type
	<u>General Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 290,947
Taxes receivable	9,086
Due from tax collection	35,642
Due from other governments	<u>18,689</u>
Total assets	<u>\$ 354,364</u>
 <u>Liabilities and Fund Balances</u>	
Liabilities:	
Accounts payable	\$ 1,011
Escrow deposits payable	<u>449</u>
Total liabilities	<u>\$ 1,460</u>
Fund Balance:	
Reserved for:	
Development plan	\$ 10,397
Unreserved	<u>342,507</u>
Total fund balance	<u>352,904</u>
Total liabilities and fund balance	<u>\$ 354,364</u>
 Total governmental fund balance	 \$ 352,904
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in the governmental activities are not financial resources and are not reported in the fund:	
The cost of the capital asset is	460,754
The accumulated depreciation is	(334,552)
Long term receivable	<u>5,629</u>
Net assets of governmental activities	<u>\$ 484,735</u>

The notes to the financial statements are an integral part of this statement.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND

For the Year Ended March 31, 2008

	Governmental Fund Type
	<u>General Fund</u>
Revenues:	
Property taxes:	
General	\$ 76,828
Fire	84,002
Development Plan	84,002
State shared revenue	89,579
Metro authority	3,021
Charges for services:	
Licenses, fees and permits	15,752
Ambulance and fire	1,723
Administrative and tax collection fees	28,485
Hall rental	275
Investment earnings	20,344
Miscellaneous	<u>11,142</u>
Total revenues	<u>415,153</u>
Expenditures:	
Current:	
General government	205,498
Public safety	97,919
Highways, streets and bridges	22,534
Sanitation	<u>11,942</u>
Total expenditures	<u>337,893</u>
Change in fund balance	77,260
Fund balance – beginning of year	<u>275,644</u>
Fund balance – end of year	<u>\$ 352,904</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Change in fund balance – total governmental fund	\$ 77,260
Amounts reported for governmental activities in the Statement of Activities are different because: Governmental funds report capital outlays as expenditures. However, in the Statement of Activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(19,246)
Accounts receivable within one year	<u>5,629</u>
Change in net assets of governmental activities.	<u>\$ 63,643</u>

The notes to the financial statements are an integral part of this statement.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Year Ended March 31, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes:				
General	\$ 73,291	\$ 73,291	\$ 76,828	\$ 3,537
Fire	79,805	79,805	84,002	4,197
Development Plan	79,805	79,805	84,002	4,197
State shared revenue	85,000	85,000	89,579	4,579
Metro authority	2,800	2,800	3,021	221
Charges for services:				
Licenses, fees and permits	12,510	12,510	15,752	3,242
Ambulance and fire	2,500	2,500	1,723	(777)
Administrative and tax collection fees	28,130	28,130	28,485	355
Hall rental	150	150	275	125
Cemetery lots	1,000	1,000		(1,000)
Investment earnings	2,000	2,000	20,344	18,344
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>11,142</u>	<u>10,142</u>
Total revenues	367,991	367,991	415,153	47,162
Expenditures:				
General Government				
Township Board	\$ 18,400	\$ 18,400	\$ 14,897	\$ 3,503
Supervisor	16,700	16,700	16,700	
Assessor	14,000	14,000	14,000	
Clerk	16,700	16,700	16,700	
Treasurer	16,700	16,700	16,700	
Professional fees	91,000	91,000	86,269	4,731
Boards of Review and Appeals	2,125	2,125	2,370	(245)
Building and grounds	5,920	5,920	4,478	1,442
Cemetery	5,000	5,000	3,500	1,500
Insurance	9,000	9,000	8,946	54
Planning Commission	6,000	6,000	5,860	140
Zoning	8,200	8,200	8,200	
Payroll taxes	5,500	5,500	5,478	22
Miscellaneous	2,785	2,785		2,785
Election	<u>4,770</u>	<u>4,770</u>	<u>1,400</u>	<u>3,370</u>
Total general government	222,800	222,800	205,498	17,302
Public safety				
Fire protection	<u>99,919</u>	<u>99,919</u>	<u>97,919</u>	<u>2,000</u>
Total public safety	99,919	99,919	97,919	2,000
Highways, streets and bridges				
Highways, streets and bridges	<u>23,072</u>	<u>23,072</u>	<u>22,534</u>	<u>538</u>
Total highways, streets and bridges	23,072	23,072	22,534	538
Sanitation				
Clean-up day	9,700	9,700	5,322	4,378
Drain at large	5,500	5,500	3,061	2,439
Recycling	<u>7,000</u>	<u>7,000</u>	<u>3,559</u>	<u>3,441</u>
Total sanitation	22,200	22,200	11,942	10,258
Total expenditures	367,991	367,991	337,893	30,098
Change in fund balance			77,260	77,260
Fund balance - beginning of year			<u>275,644</u>	
Fund balance - end of year			<u>\$ 352,904</u>	

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

FIDUCIARY FUND

For the Year Ended March 31, 2008

	Agency Fund
	Tax Collection
<u>Assets</u>	
Cash and cash equivalents	\$ <u>99,506</u>
Total Assets	\$ <u>99,506</u>
<u>Liabilities</u>	
Due to general fund	\$ 35,642
Due to other taxing units	\$ <u>63,864</u>
Total Liabilities	\$ <u>99,506</u>

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Saline Township, Washtenaw County, Michigan (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

A. Reporting Entity

Saline Township is a noncharter township, governed by a Board of Trustees. As required by generally accepted accounting principles, these financial statements present Saline Township as a primary government. There are no component units to the Township.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Township. The government-wide financial statements categorize primary activities as either governmental or business-type. All of the Township's activities are classified as governmental activities. Amounts reported in the funds as receivable from or payable to fiduciary funds are included in the statement of net assets as receivable from or payable to external parties, rather than as internal balances. Therefore, all internal balances are eliminated in the total primary government column.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund is reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *General Fund* is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Additionally, the government reports the following fiduciary fund type:

The *Tax Collection Fund* is used to account for assets held by the Township as an agent for other governments and/or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, liabilities, and net assets or equity.

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Township will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding in the governmental activities are reported in the government-wide financial statements as "internal balances".

Personal property taxes receivable is shown net of an allowance for uncollectibles. At March 31, 2008, there is no allowance for uncollectibles.

3. Property taxes

The Township property tax is levied on each December 1 on the taxable value of property located in the Township as of the preceding December 31.

The Township's 2007 ad valorem tax was levied and collectible on December 1, 2007. It is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are made available for the financing of Township operations. Payment from the County Delinquent Tax Fund, which purchases the 2007 delinquent real property taxes, is recorded as a receivable and recognized as revenue in the current fiscal year.

The 2007 adjusted taxable value of Saline Township totals \$64,009,426, on which ad valorem taxes levied for Township purposes are \$76,828. The millage rate is .9146.

The Township has a special assessment of 1 mill for fire protection based only on the real property taxable value. The Township also has a special assessment of 1 mill for development plan based only on the real property taxable value.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and recorded as prepaid items in both government-wide and fund financial statements.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Capital assets

Capital assets, which include property, building, and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	75
Building improvements	10
Furniture and equipment	10-20
Office equipment	5

6. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The reserve for Development plan represents the portion of fund balance segregated for the specific use of defending the township against litigation challenging the township's zoning regulations and reviewing and updating the township's general development plan and the township zoning ordinance.

The government-wide statement of net assets reports \$10,397 of restricted net assets, all of which is restricted by enabling legislation.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Township for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Township follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Township have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

The Saline Township General Fund did not incur expenditures in excess of total amount appropriated. One line item in the General Fund incurred expenditures in excess of the amount budgeted, as follows:

<u>General Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Government:			
Boards of Review and Appeals	\$ 2,125	\$ 2,370	\$ (245)

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk-Deposits. Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the Township. The Township does not have a deposit policy for custodial credit risk. As of March 31, 2008, \$347,399 of the Township's bank balance of \$448,384 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$347,399</u>
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**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

NOTE 4. CAPITAL ASSETS

Capital asset activity is as follows:

	Balance April 1, 2007	<u>Acquisitions</u>	<u>Dispositions</u>	Balance March 31 2008
Governmental activities:				
Assets not be depreciated – Land	\$ 1,000	\$		\$ 1,000
Buildings and improvements	300,294			\$ 300,294
Furniture and equipment	29,287			29,287
Fire vehicles and equipment	<u>130,173</u>			<u>130,173</u>
Depreciable capital assets	<u>459,754</u>	-	-	<u>459,754</u>
Accumulated depreciation				
Buildings and improvements	214,553	4,290		218,843
Furniture and equipment	12,184	1,938		14,122
Fire vehicles and equipment	<u>88,569</u>	<u>13,018</u>		<u>101,587</u>
Total accumulated depreciation	<u>315,306</u>	<u>19,246</u>	-	<u>334,552</u>
Net depreciable capital assets	<u>144,448</u>	<u>(19,246)</u>	-	<u>125,202</u>
Governmental activities net capital assets	<u>\$ 145,448</u>	<u>\$ (19,246)</u>	<u>\$ -</u>	<u>\$ 126,202</u>

Depreciation expense is charged to functions as follows:

Governmental activities:	
General government	\$ 6,228
Public safety	<u>13,018</u>
Total depreciation expense–governmental activities	<u>\$ 19,246</u>

NOTE 5. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township is a member of the Michigan Township Participating Plan ("Plan") to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses and to defend and protect against liability or loss. The Plan provides protection to the Township based on its selected risks, limits and deductibles. Any settled claims have not exceeded the limits of coverage in any of the past three years.

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

NOTE 6. SALINE AREA FIRE DEPARTMENT

The Township is a participant with the City of Saline and the Townships of Lodi and York in the operations of the Saline Area Fire Department (SAFD), a volunteer fire department organized for the purpose of providing fire protection for the City and Townships. The SAFD is governed by an eight-member board whose directors are selected and approved by the respective City and Township Boards. The board annually approves an operating budget for the SAFD and is responsible for all operating and financing decisions of the SAFD.

Under the terms of the agreement, the Township pays a percentage of the cost of capital outlay and operating expenditures for the SAFD. This percentage, which is currently 10.6%, is reviewed and adjusted as necessary on an annual basis based upon real and personal state equalized value, service area, population, miles of roads and family dwelling units.

The ownership of all personal property and an equitable interest in all real estate acquired by the SAFD is vested in the Township in direct proportion to the contribution made by the Township to the cost of the related real and personal property. If the agreement is terminated by the Township by notice of withdrawal, the capital interest of the Township will be returned to the Township in five equal installments commencing one year after the date of withdrawal, plus interest at the rate of 6% per annum on the unpaid balance.

Condensed financial information related to the SAFD as of June 30, 2007, is as follows:

	<u>Governmental Activities</u>
Statement of Net Assets:	
Total assets	\$ <u>1,640,482</u>
Total liabilities	<u>218,741</u>
Net assets	\$ <u><u>1,421,741</u></u>
Statement of Activities:	
Revenues	\$ 827,243
Expenses	<u>820,936</u>
Change in net assets	6,307
Beginning net assets	\$ <u>1,415,434</u>
Ending net assets	\$ <u><u>1,421,741</u></u>

**SALINE TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

TAX COLLECTION FUND

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2008

<u>Assets</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Cash and cash equivalents	<u>\$ 319,804</u>	<u>\$ 2,829,387</u>	<u>\$ 3,049,685</u>	<u>\$ 99,506</u>
<u>Liabilities</u>				
Due to general fund	\$ 268,234	\$ 270,778	\$ 503,370	\$ 35,642
Due to other taxing units	<u>51,570</u>	<u>2,558,609</u>	<u>2,546,315</u>	<u>63,864</u>
Total liabilities	<u>\$ 319,804</u>	<u>\$ 2,829,387</u>	<u>\$ 3,049,685</u>	<u>\$ 99,506</u>

July 25, 2008

To the Board of Trustees
Saline Township
Washtenaw County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Saline Township (Township), Washtenaw County Michigan, as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we considered the deficiencies described as 2007-1 thru 2007-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

This communication is intended solely for the information and use of the Board of Trustees of Saline Township, Washtenaw County, Michigan, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.
Adrian, Michigan

SALINE TOWNSHIP
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2008

Finding 2007-1

Finding considered a significant deficiency

Criteria

Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate, in writing, to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition

Currently there is little segregation of conflicting duties of initiating transactions, and the recording of those transactions.

Cause

The Township's officials' responsibilities are flawed by design.

Effect

Segregation of duties would provide another measure of internal control to provide the ability of the Township to determine, in a reasonable amount of time, whether all transactions initiated are recorded and reported timely and accurately.

Recommendation

The Township should continue as it has in the past.

Client Response

We are aware of this deficiency.

SALINE TOWNSHIP
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2008

Finding 2007-2

Finding considered a significant deficiency

Criteria:

Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate, in writing, to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Condition

The Township is required to adopt a budget for the general fund and any major fund. The budget should be adopted at a minimum level of appropriation. This is usually at the major revenue category and expenditure functional level. Each of the expenditure function levels should not be overspent.

Cause

The Board of Trustees of the Township understands the requirement, and annually prepares the budget which is approved by the Board of Trustees. In March of the fiscal year, the supervisor prepares amended budgets to be approved by the Board of Trustees. The amended budget discloses estimated expenditures at the functional level.

Effect

The budget must be amended before year end, the timing of which resulted in one functional expenditure being over expended at year end. However, total expenditures for the general fund were underspent.

Recommendation

That the Board of Trustees determine prior to the amendment of the appropriations, that the information is complete including adjusting entries to record the year end accruals.

Client Response

At the time of amendments, the appropriations and expenditures are adjusted as accurately as possible. The Township knows of no way to assure that the expenditures are exact when the final revenues and expenses are not known until later. The Township does, however, assure that every attempt to be as accurate as possible will be taken.